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C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 002815

SIPDIS

E.O. 12958: DECL: 12/09/2019

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SUBJECT: FRF: SENIOR DPJ LEADER SAYS "NO DEAL" THIS YEAR

Classified By: DCM James P. Zumwalt per 1.4 (b/d)

¶1. (C) Summary: DPJ Diet Affairs Chair Kenji Yamaoka (a close confidante of DPJ Secretary General Ozawa) told Embassy Tokyo December 8 that the Futenma Replacement Facility (FRF) decision was "all about managing the Diet." Until two weeks ago, he thought the Japanese government would agree to an FRF deal by the end of the year. However the PM moved too slowly and now a decision within the year is no longer possible due to coalition partner intransigence. He said that after the Upper House elections next summer, the Socialist Democratic Party (SDP) and People's New Party (PNP) would no longer be needed in the coalition, and at that point the government would implement the deal. Yamaoka advised the United States to be patient. In the meantime, he promised he would pass the necessary FRF-related budget items so that Japan could reserve its position on realignment. The DCM pressed for an expeditious decision, but Yamaoka dismissed our arguments on the need to move forward this year saying that the decision had already been made and "only FM Okada" was still arguing for an agreement this year. He acknowledged that this would present difficulties for PM Hatoyama's relationship with President Obama and criticized the PM as a "poor communicator." When asked about Okinawa politics, Yamaoka said that Governor Nakaima would go ahead and sign the Environmental Impact Assessment (EIA), but that he could not win the governor's race next year. In summer 2010, the Japanese Government would move forward with the FRF plan, and the new Okinawa governor would have to accept the "done deal" of the realignment package. End Summary.

¶2. (C) In a December 8 meeting with DCM Zumwalt and Poloff, DPJ Diet Affairs Committee Chairman Yamaoka frankly shared his views on Japan's political situation and issues surrounding FRF. Yamaoka explained that there were precedents that PMs had to resign in order to pass the budget. If the DPJ's coalition partners left the government over the FRF issue, then the DPJ would lose its Upper House majority and be unable to pass budget-related bills; Hatoyama might thus have to resign. Hatoyama's political donation problem is likely to reach a critical point from the end of this year to early next year, and Hatoyama is likely to be attacked in the ordinary Diet session. As the Diet Affairs Committee Chair, Yamaoka said he would try to delay the opening of the session as long as possible in order to deprive the LDP of time to attack Hatoyama's scandals. That means deliberation of key Diet bills, including the supplementary budget and regular budget, will be pushed back and the DPJ will be pressed to handle them all quickly. To manage this process, the party needs its coalition partners in the Upper House. Since the UH election will be held in

July, the session cannot be extended. The supplementary budget and the regular budget have to pass before the UH election, and key budget items, such as child allowances and agricultural subsidies must be implemented as well. Therefore Diet management in the next session was critical to Hatoyama's success, Yamaoka explained.

13. (C) If the SDP continues to threaten to leave the coalition, the PNP may threaten to do the same to "increase its profile," Yamaoka continued. The PNP hopes to hold the casting vote once the SDP is gone, and that means the PNP will become increasingly vocal about the FRF issue. Yamaoka explained that the most important issue for the SDP was Okinawa, for the PNP was the postal issue, and for DPJ SecGen Ozawa was Diet reform. In order to position themselves favorably, all three parties will use whatever political cards they have. If the United States continues to pressure Hatoyama on the Futenma issue, the Hatoyama Cabinet could possibly collapse. If the SDP leaves the coalition, Diet management for the DPJ would be extremely difficult. FM Okada and MLIT Minister Maehara have no experience in Diet management, and they cannot be where they are now without being supported by the "ship called a coalition." They do not understand the politics of the Diet affairs. If they could put themselves in the PM's position, their judgment would be different, said Yamaoka. In his view, it is better for the United States to wait for the political situation to calm down until after the budget passes and the DPJ's victory in the July 2010 UH election. If the United States continues to apply pressure, reiterated Yamaoka, the situation could further deteriorate. Yamaoka said that haste makes waste,

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and stated that waiting, in the end, is the best way to ensure the plan's implantation. Once the DPJ wins the UH election, the FRF issue can be solved said Yamaoka. Yamaoka has been discussing the FRF issue with the PM and Chief Cabinet Secretary Hirano and advising them on the Diet situation. Yamaoka told the PM if he could meet with the President in Copenhagen, he should fully explain the current political/Diet situation and gain his understanding.

14. (C) The DCM underlined the need for an expeditious decision, particularly in light of local Okinawan politics and our own budget process. Yamaoka said that a decision had already been made; the only issue that remained was how to explain to the United States that, by earmarking FRF-related funds in the budget, Japan was making a de facto commitment to move forward with the FRF plan as currently envisioned. Yamaoka made it clear that Hatoyama was not planning to commit political suicide in order to implement the FRF this year. FM Okada may think it's okay for Hatoyama to quit if the FRF deal could be pushed forward, but Hatoyama does not think so. The more that Okada -- who may think he can replace Hatoyama -- presses the PM, the more Hatoyama will consider the political situation and how best to protect his position. He will not give up the prime ministership for Futenma, Yamaoka said.

15. (C) That said, Yamaoka repeated that he told Defense Minister Kitazawa to make sure to earmark the FRF and Guam expenses in the regular budget. Yamaoka said that as the manager of the Diet business, he would make sure these government requests passed. Yamaoka hoped that the United States would implicitly understand that earmarking meant that the plan would be implemented eventually. Yamaoka also stated that relevant Cabinet members were being called to the Kantei not to be told that a decision on the implementation of the current plan would be made in December, but to be told that the implementation would not be announced before the end of the year, although the budget would be earmarked. According to Yamaoka, PM told this to Okinawa Governor Nakaima as well; for his part, Nakaima has been pressuring the PM to move forward with the current plan for the sake of his own political position, Yamaoka said.

¶16. (C) On Okinawa politics, Yamaoka said that Okinawa would oppose base issues whenever they are discussed. "It's all about opposing for its own sake," Yamaoka stated. The Okinawa gubernatorial election will be held next fall and incumbent governor Nakaima will lose for sure. Once the new governor is elected, the FRF issue could hit a real wall, so the GOJ needed to resolve it before then. If the base decision were a fait accompli, then the new governor would be forced to accept that decision. Nakaima knows that he has to stick the current plan and that's the only way for him to have a chance to survive politically. As for the Nago mayoral election, regardless of the outcome, the government must stick to its plan to implement the realignment agreement. If Okinawa's will is respected, "nothing will ever happen." The issue of Okinawa politics, therefore, is not a big deal as long as the government's decision is made before the gubernatorial race.

¶17. (C) On PM Hatoyama's "trust me" statement, Yamaoka explained that PM meant to say that he would surely move forward with FRF "at some point." Yamaoka expressed his understanding that the United States took this to mean that the PM would make a decision within this year, and that President Obama had "lost face." Yamaoka believed that Hatoyama exercised the wrong political judgment. In Yamaoka's view, Hatoyama should have clearly promised President Obama when they met that his government would implement the current plan. Yamaoka revealed that around that time, the SDP was under a great deal of political pressure, as Yamaoka had told them that once out of the coalition, the SDP would vanish as a political party in the upcoming election. SDP president Fukushima seriously considered accepting the DPJ's position; however, when PM and others moved slowly on FRF, the SDP took the initiative by holding an anti-base rally in Okinawa. This created the political momentum for the anti-base elements in the SDP to oppose the Futenma relocation even if it meant putting the coalition at risk. Yamaoka critically said that the PM's lack of leadership and determination led to the current mess.

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He lost the opportunity to make a political decision by moving too slowly, Yamaoka said.

¶18. (C) In Yamaoka's view, the best way to break through the current stalemate is for Washington to understand the current political situation in Japan and to tell Japan what it would like to do in search of mutually acceptable "next best way." If PM Hatoyama cannot meet President Obama on the matter, Yamaoka thought that Japan should send a special envoy to deliver the message and seek U.S. understanding. He thought a phone conversation between PM Hatoyama and President Obama would not be sufficient, as their "true feelings" would not be adequately communicated by telephone.

¶19. (C) Yamaoka added that even if the current plan were implemented, the Japanese public would not necessarily be favorable towards U.S.-Japan relations, as the media and other "agitators" would focus on the issue of the coral reef and environmental destruction caused by the landfill. The negative image could shake the DPJ government. Implementation of the current plan meant reduction of the burden on Okinawa, but politically it could be viewed negatively. In order to avoid such a situation, Yamaoka said it was critical to discuss the future direction of the alliance and make the FRF/Henoko issue as but one of many issues in the alliance. In doing so, it is also important to explain to the Japanese public that it is the time for Japan to reduce its dependence on the United States and try to assume a greater defense burden.

¶10. (C) On the DPJ's position on the future of the alliance, Yamaoka explained it had three stages. First, the DPJ should make it clear to the United States that it intends to bear much more responsibility in the alliance. Second, the United States should explain what kind of roles it expected from

Japan within its global strategy. Third, Japan should then decide its direction and what it can do. The process may take some time, but Yamaoka said that was what Ozawa wanted to do. Japan needed to continue to stay under the U.S. nuclear umbrella and needs to bear more of a burden. The current public feeling between Japan and the United States is that while Americans feel overburdened, the Japanese public feels negative about foreign military forces stationed in Japan. Yamaoka understood that Japan was very "spoiled" and dependent on the United States and was taking U.S. protection for granted. Some Japanese think that Japan's security is none of their business, and therefore, no bases were needed. Once the UH election is over, Yamaoka thinks the DPJ can remove the SDP and the PNP from the coalition. The DPJ will have three years before another national election, and within the three years, the DPJ should be able to step up discussions on how to advance the alliance from the post-war relationship to future-oriented relationship without any obstacles.

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